

STATE OF WASHINGTON
DEPARTMENT OF FINANCIAL INSTITUTIONS
DIVISION OF CONSUMER SERVICES

In the Matter of:

NO. C-02-285-02-SC04
OLD NO. 2000-115-C01

CENTURY MORTGAGE, INC., RONALD
L. BURGER, DESIGNATED BROKER AND
OWNER, DALE SAGE GIBBONS,
OWNER, DWAIN R. KLEIN, OWNER,
GENE ARTHUR TAYLOR, MICHAEL
DEASY, CURTIS ORVICK, JON WEBB,
SCOTT TOLLEFSON, DAVID BURGER,
AND MARK HODGE

STATEMENT OF CHARGES AND
NOTICE OF INTENTION TO
ENTER AN ORDER TO REVOKE
LICENSE, PROHIBIT FROM
PARTICIPATION IN INDUSTRY
AND ASSESS MONETARY
PENALTIES

Respondents

I. STATEMENT OF CHARGES

1.1 Pursuant to RCW 19.146.220, the Director of the Department of Financial Institutions (Director) is responsible for the administration of chapter 19.146 RCW, the Mortgage Broker Practices Act (Act). After having conducted an investigation, and based upon the facts available as of July 25, 2002, the Director institutes this proceeding and finds as follows:

II. FACTUAL FINDINGS

2.1 Century Mortgage Company (Century) is known to hold itself out as a mortgage broker at 3401 Division, Spokane, Washington. Such business has been licensed under the Act by the Department of Financial Institutions (Department) since October 30, 1997.

2.2 Ronald L. Burger is listed with the Department as a 33 percent owner and Designated Broker of Century.

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2 2.3 Dale (Sage) Gibbons is listed with the Department as a 33 percent owner of
3 Century.

4 2.4 Dwaine R. Klein (Klein) Gibbons is listed with the Department as a 33 percent
5 owner of Century.
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7 2.5 Gene Arthur Taylor (Taylor) was the former owner of Gene A. Taylor dba Century
8 Mortgage.

9 2.6 Burger, Kinder, and Klein, Inc. (BKK) was incorporated on December 21, 1995,
10 and later amended its name to Burger, and Klein, Inc. (BK) on June 28, 1996. Burger and
11 Klein had equal ownership in these two extinct companies.
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13 2.7. B&G Properties, LLC (BG), an affiliate of Century, is equally owned by Burger
14 and Gibbons.

15 2.8 The names of the following loan officers of Century (employees of Century)
16 originated mortgage loans in violation of the Act:

17 (1) Michael Deasy

18 (2) Curtis Orvick

19 (3) Jon Webb

20 (4) Scott Tollefson

21 (5) Mark Hodge

22 (6) David Burger
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24 2.9 Century makes residential mortgage loans (mortgage loans) or assists borrowers
25 in obtaining or applying to obtain mortgage loans for compensation or gain. Century, Burger,
26 Gibbons, and Century's employees caused the preparation of mortgage loan documents for the

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2 purpose of obtaining financing for buyers/borrowers of residential real estate properties
3 (residential properties).

4 It was the usual practice of Century to broker or sell the mortgage loans to residential
5 mortgage lenders (mortgage lenders) who were located throughout the country and who funded
6 the mortgage loans at loan closing, through mostly electronic transfer of funds to escrow
7 agents.
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9 The mortgage lenders who funded loans for Century's clients included, but were not
10 limited to the following:

- 11 (1) WMC Mortgage Corporation, Woodland Hills, California
- 12 (2) First Franklin Financial Corporation, Bellevue, Washington
- 13 (3) Bank of Yorba Linda, Yorba Linda, California
- 14 (4) Investors Mortgage Company Limited Partnership, Bellevue,
15 Washington
- 16 (5) New Century Mortgage, Irvine, California
- 17 (6) Pinnfund USA, Carlsbad, California
- 18 (7) Meritage Mortgage Corporation, Lake Oswego, Oregon

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21 2.10 Mortgage lenders rely upon compliance by mortgage brokers and loan officers
22 with applicable state and federal rules and regulations, and the truthful and honest
23 representations of loan applicants, buyers/borrowers in loan applications and other documents
24 in order to approve and fund mortgage loans.
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2.11 Century, Burger, Gibbons, Klein, Scott Tollefson, Jon Webb, Michael Deasy, Mark Hodge, David Burger and certain third party service providers¹ caused the preparation of false and fraudulent payment instruments such as cashier's checks, personal checks and business checks, which were submitted to mortgage lenders in support of loan applications for buyers of residential properties to obtain financing. In the case of Borrower Chavez, Gibbons falsified his own personal check to make it appear as if a fictional Paul Chavez, purportedly the brother of the borrower, drew it. Gibbons' false check was written for the amount of \$19,299 and was intended as a 'gift' in the form of a down payment on the Chavez mortgage loan. Borrower Chavez confirmed that she was not aware of this scheme, and does not have a brother named Paul Chavez.

Table 1a - Phantom Down Payments or 'Gifts'

Buyer	Loan Officer	Property Address	Century =C BG=B O=Other Check Amt	Other Cashier's Check Amount	Loss To Lender
Hawthorne	Gibbons/ Tollefson	2427 E. Everett Avenue, Spokane, WA	B: 18,000.00	18,000.00	18,000.00
Christerson	Burger, Ronald	1218 N. Altamont St., Spokane, WA	O: 22,318.75	N/A	22,318.75
Aleman	Burger, Ronald	2221 N Cincinnati St., Spokane, WA	C: 17,531.67	17,531.67	17,531.67
Fisher	Burger, Ronald	118 S Thor Street, Spokane, WA	C: 13,414.94	14,414.94	14,414.94
Buyer	Loan Officer	Property Address	Century =C BG=B O=Other Check Amt	Other Cashier's Check Amount	Loss To Lender
Anderson	Burger, David	1224 W Carlisle Avenue Spokane, WA	C: 18,022.63	18,022.63	18,022.63

¹ Respondents colluded with certain third-party service providers such as real estate appraisers and real estate sales persons. The Department holds no jurisdiction over these third-party service providers and they are not included in the Statement Of Charges.

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2	Triumph	Burger, Ronald	3103 N Lincoln Street, Spokane, WA	C: 16,000.00	16,000.00	16,000.00
3	Mazur	Burger, Ronald	1007 E Baldwin Avenue, Spokane, WA	C: 19,589.69	19,585.69	19,585.59
4	Peterson	Webb, Jon	2627 N Magnolia Street, Spokane, WA	B: 18,274.08	18,274.08	18,274.08
5	Bates	Burger/Gibbons	5410 W Princeton Place, Spokane, WA	C: 13,584.42	13,584.42	13,584.42
6	MashtareII	Deasy/Tollefson	1218 N Bowman Avenue, Spokane, WA	O: 16,862.00	14,700.00	16,862.00+
7	Salle	Gibbons, Sage	1304 E Baldwin Ave, Spokane, WA	B: 19,518.93	19,518.93	19,518.93
8	Whitacre	Burger, Ronald	1920 E. 1 st Avenue, Spokane, WA	B: 17,500.00	Same	17,500.00
9	Chavez	Gibbons, Sage	1227 East Bridgeport	O: 18,142.93	Same	18,142.93
10	Johnson	Hodge, Mark	2605 W College Avenue, Spokane, WA	C: 20,559.65	20,559.65	20,559.65

Total Amount of Potential Loss to Lenders: \$250,315.59

2.12 Century, Burger, Gibbons, Klein, Scott Tollefson, Jon Webb, Michael Deasy, Mark Hodge, David Burger, and certain third-party service providers caused the preparation of false and fraudulent loan documentation such as HUD-1 settlement statements, loan application forms, and gift letters in order to misrepresent that buyers/borrowers of residential properties had paid down payments as required by mortgage lenders, when in truth and in fact, buyers/borrowers had not provided the down payments required by the mortgage lenders as presented in Table 1a above.

2.13 Century, Burger, Gibbons, Klein, Curtis Orvick, Michael Deasy, and certain third-party service providers caused the preparation of “phantom” second mortgage deeds of trust that were fraudulently not disclosed to mortgage lenders. In the Sherene Thomas (Thomas) mortgage loan (listed in Table 1b below) Sally Gibson (Gibson), the real estate sales person who represented Thomas in the transaction, prepared a false addendum to the original Purchase and Sales Agreement (PSA) misrepresenting that Gibbons was the buyer for the

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2 property at 3020 North Regal Street, Spokane, Washington. Gibbons knew from the start that
3 Gibson created the false addendum on his behalf, and on the behalf of Century and Burger to
4 facilitate inflating the purchase price of the property to Thomas. For their “creative financing”
5 a “finders fee” totaling \$2,000 was paid to Burger and Gibbons. Additional costs totaling
6 \$3,050 was also paid to Gibbons and Century. The original PSA dated March 8, 1998, was
7 agreed upon and signed by buyer, Thomas, and seller, Dameyer Jr., but Gibson told Thomas
8 that her offer had been rejected after Gibbons showed interest in the property. Gibson prepared
9 an addendum that was used as an artifice to remove Thomas as the buyer through
10 misrepresentation. Gibson obviously colluded with Gibbons to amend the original PSA,
11 without a meaningful explanation to Thomas. Gibson amended and assigned the purchase of
12 the property to Gibbons who intend sold the property back to Thomas. Gibbons along with
13 Burger was the mortgage broker in the origination of this mortgage loan. Thomas indicated
14 that she signed the addendum assigning the original PSA to Gibbons without knowing because
15 her agent, Gibson, did not explain the documents to her. Thomas indicated it was at closing
16 that she became aware that the loan amount had increased. Gibbons increased the purchase
17 price of the property from the original price of \$59,950 to \$85,000. It is apparent from
18 Gibson’s actions that she worked against Thomas’ interests by colluding with Gibbons. It is
19 illogical that Thomas would forgo the original lower offer price that was assigned to Gibbons
20 to purchase the property from the original owner, and accept Gibbons’ new purchase price at a
21 differential of \$25,050. On the HUD 1 settlement statement for this mortgage loan, \$1,000
22 each, for a total of \$2,000, was paid to Gibbons and Burger for referring the Thomas mortgage
23 loan to Century. The misrepresentation to Thomas and fraud resulted in an additional cost of
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\$5,050 to Thomas, which includes the \$2,000 “finder’s fee” plus \$3,050 resulting from the increase in the purchase price.

2.14 In the Thomas purchase transaction Gibbons colluded with Gibson to enable him purchase the property at the original price of \$59,950 offered by Thomas, and agreed upon by the seller. Gibbons then resold the property back to Thomas for \$85,000. Gibbons’ scheme misrepresented the loan to the lender through the creation of a phantom second mortgage artifice of \$17,000, which was forgiven after the transaction closed, and an additional \$5,000 phantom “credit given towards closing costs.”

Table 1b - Century and Affiliate BG’s Phantom Second Mortgages

Buyer	Loan Officer	Property Address	Second Mortgage Amount	Second Mortgage Status
Bercier, Donna	Burger, Ronald	(2) 2227 E Empire Avenue, Spokane, WA	16,625	Not Recorded – silent.
Tinn, Elias	Gibbons, Sage	(5) 1026 W Grace Avenue, Spokane, WA	24,000	Discounted to \$1.00
Thomas, Sherene	Burger, Ronald	(6) 3020 North Regal Street, Spokane, WA	17,000	Silent - Not Recorded
Gethers, Eric	Burger, Ronald	(8) 5414 North Monroe Street, Spokane, WA	22,975	Discounted to \$1.00
Harper, Thurman	Burger, Ronald	(9) 9721 North Colfax Road, Spokane, WA	26,400	Discounted to \$1.00
Buyer	Loan Officer	Property Address	Second Mortgage Amount	Second Mortgage Status
Jacobs, Ronnie	Orvick, Curtis	(10) 5317 N Maple Street, Spokane, WA	21,000	Discounted to \$1.00
Rishar, Logan	Deasy, Michael	(11) 224 S Green Street, Spokane, WA	13,375	Silent – Not Recorded
Haskins, James	Burger, Ronald	(12) 617 East 9 th Avenue, Spokane, WA	19,500	Forgiven Per PSA

Total Amount of Misrepresentation to Lenders: \$160,875

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2 2.15 Century, Burger, Gibbons, Klein, Scott Tollefson, Michael Deasy, Jon Webb,
3 Curtis Orvick, Mark Hodge and David Burger and other third-party service providers employed
4 mortgage broker business practices that created an equity skimming artifice that injured
5 borrowers, seller and lenders in apparent violation of the prohibitions against equity skimming
6 under RCW 61.34.020, which states:
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8 An “act of equity skimming” has occurred when . . . a person purchases a dwelling in a
9 transaction in which all or part of the purchase is financed by the seller and is (A)
10 secured by a lien which is inferior in priority or subordinated to a lien placed on the
11 dwelling by the purchaser, or (B) secured by a lien on other real or personal property, or
12 (C) without any security; and . . .the person obtains a superior loan which either (A) is
13 secured by a lien on the dwelling which is superior in priority to the lien of the seller,
14 but not including a bona fide assumption by the purchaser of a loan existing prior to the
15 time of purchase, or (B) creating any lien or encumbrance on the dwelling when the
16 seller does not hold a lien on the dwelling; and . . . the person fails to make payments or
17 default on the superior priority loan within two years subsequent to the purchase . . .
18 and the person diverts value from the dwelling by applying or authorizing any part of
19 the proceeds from such superior priority loan for the person’s own benefit or use.
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22 Century’s affiliate, BG, and principals, Burger and Gibbons, sold and originated eleven out of
23 the 22 properties securing these mortgage loans that are the subject of this statement of charges.
24 Seven of the mortgage loans originated by Century’s affiliate, BG, and principals, Burger and
25 Gibbons went into foreclosure within two years of loan origination. The reason for the high
26 rate of foreclosure appears to be the scheme used by Century to inflate the property values

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2 coupled with targeting borrowers with very high delinquencies, bankruptcies and outstanding
3 judgments. Century knew, or should have known, these borrowers with high credit risk would
4 have difficulty meeting their mortgage loan obligations. This is evidenced by false documents
5 created by Century in order to hide the true nature of these mortgage loans, and to induce
6 mortgage lenders to fund them. [See section 2.15].
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8 2.16 Century, Burger, Gibbons, Klein, and certain third-party service providers
9 prepared false and fraudulent documents related to the financial conditions of the
10 buyers/borrowers in order to make the buyers/borrowers appear to qualify for mortgage loans.
11 These false and fraudulent documents included, but were not limited to:

- 12 a. Statements of false assets;
- 13 b. False or fraudulent verifications of deposit
- 14 c. False or fraudulent verifications of rent
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16 2.17 Century, Burger, Gibbons, Scott Tollefson, Jon Webb, Michael Deasy, Mark
17 Hodge, David Burger, Curtis Orvick and other third-party service providers caused to be
18 prepared inflated appraisals on residential properties in order to create phantom equity for the
19 purpose of inducing mortgage lenders to provide 100 percent financing for residential
20 properties;
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22 2.18 Gibson admitted to the Department of Licensing (DOL), in a consent order
23 dated March 19, 2002, that she colluded with Burger and Gibbons to inflate the purchase prices
24 of residential properties. Gibson stated in an interview conducted by the Department on
25 January 16, 2002, that she was asked by Burger to change prior listing prices. Gibson admitted
26 in a written response to the Department that:

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I am aware and have been a party to listing prices being increased to facilitate an appraisal to coincide with a stated purchase price (oftentimes reflecting an inflated increase [sic]). This was accomplished by either me or Ron Burger (telephonically communicating the required change necessary to the MLS Data Sheet) to be done by the listing agent; I at times was the listing agent

Gibson stated that if the buyer failed to qualify for a loan, Burger and Gibbons or employees of Century did instruct her to increase the purchase price of the residential property to an amount determined by them. She stated she was then directed to use the inflated amount as the purchase price on the PSA.

2.19 Ernie Aguilar (Aguilar), a former loan officer of Century corroborated the statements made by Gibson. Aguilar told the Department that a pre-determined profit formed the basis for determining the purchase price of the residential property. Aguilar claimed that Burger demonstrated the technique to him and Aguilar subsequently used the technique in originating residential mortgage loans. Aguilar explained that after the required profit was determined, the variables in the mortgage transaction, such as the purchase price of the property, loan amount, closing costs and the required down payment or deposit, were manipulated until a purchase price and loan amount were obtained that met mortgage lenders' required loan-to-value ratios of 75 percent or 80 percent.

2.20 John Hansen (Hansen), a real estate appraiser, admitted to the Department of Licensing (DOL), in a consent order dated May 2, 2002, that he colluded with Burger and Gibbons to inflate the appraised values of residential properties.

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2.21.1 Ed Morse of Morse & Company (Morse), a member of the Expert Review Appraiser Roster (ERAR) reviewed Hansen’s appraisal reports on the residential properties listed below:

- (1) 1218 Bowman Road
- (2) 5410 West Princeton Place
- (3) 2627 North Magnolia Street
- (4) 5414 North Monroe Street
- (5) 9721 North Colfax Road
- (6) 2607 Altamont Street

2.21.2 Morse questioned the integrity of the appraisal reports produced by Hansen for Century on these six residential properties. The report stated in part that Hansen’s appraisal reports contain “...reoccurring issues or errors that suggest a pattern of conduct that violates certain standards of the Uniform Standards of Professional Appraisal Practice (USPAP), and generally accepted appraisal practice . . .” in the following areas:

- (1) Appraisals do not comply with the minimum standards for reporting prior sales and listing history . . . In many cases the property was on the market for a certain price and did not sell, yet it was appraised at a higher value.
- (2) Many of the properties had overestimated size, and this could significantly increase the value of the property.
- (3) Physical condition factors of the properties were not considered, and the properties that should have been reported as in fair to poor condition were reported as average.

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2 (4) Properties that were previously appraised by other appraisers at much lower
3 values were appraised at higher values because of comparable properties used from superior
4 locations.

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6 2.22 Century, Burger, Gibbons, and Klein withheld payments of appraisal fees to
7 Real Estate Appraiser Robert Ryan (Ryan) for the purpose of influencing his independent
8 judgment with respect to the value of the residential properties he appraised for Century. Ryan
9 filed a statement with the DOL on August 28, 2001, alleging that Burger frequently pressured
10 him to give his approval on appraisal reports on residential properties that required additional
11 work to bring them to the values requested by Burger. Ryan stated that he reluctantly agreed to
12 the requests because Burger threatened not to pay him for prior completed appraisals. Ryan
13 confirmed in an interview with the Department on March 6, 2002, that he stood by the
14 statement he made to the DOL on August 28, 2001. Ryan told the Department that Burger
15 always pressured him to inflate property values by up to 20 percent, and on one occasion by as
16 much as 50 percent. Ryan also stated that Burger refused to pay for 16 appraisal reports he had
17 completed totaling \$7,000, and he had written-off several previous unpaid appraisals fees owed
18 by Century as bad debt. Ryan stated that Burger agreed to settle for \$5,000 after Ryan's
19 attorney contacted Burger. Burger eventually paid only \$3,000 out of the debt of \$7,000.
20 Burger's actions to withhold payments were done intentionally to influence the independent
21 judgment of Ryan with respect to the values of the residential properties appraised for Century.
22 The list below represents 11 appraisal reports out of a total of 96 appraisal reports prepared by
23 Ryan for Century.
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Influencing Judgment of Appraiser

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	<u>Name</u>	<u>Address</u>	<u>Check Number</u>	<u>Amount</u>
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3	(1) Jones	2524 West College Ave	10376	\$ 400.00
4	(2) Allgaier	328 East Hoffman Ave	09553	\$1,600.00
5	(3) Probert	6203 North Stone Street	09553	Included in #2
6	(4) Rogers	659 West Brooks Road	09553	Included in #2
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8	(5) Williams	5385 Scotts Valley Road	09553	Included in #2
9	(6) Austin	18706 East 4 th Ave	10198	\$ 400.00
10	(7) Ward	2419 East Rich Ave	09947	\$ 400.00
11	(8) Campbell	18306 East Alki Ave	09722	\$ 800.00
12	(9) Pulatie	711 East Princeton Ave	09722	Included in #8
13				
14	(10) Burger	3216 North Maple Street	09966	\$ 600.00
15	(11) Sanders	1111 Walnut Street	10305	\$ 600.00

16 2.23 Century, Burger, Gibbons, and Klein failed to pay third-party appraisal service
17 providers within the minimum requirement of 30 days after the recording of the loan closing
18 documents or ninety days after completion of the third-party service. There was neither an
19 agreement nor was the third-party appraisal service provider notified in writing that a bona fide
20 dispute existed regarding the performance or quality of the third-party appraisal service. Ryan
21 stated in an interview with the Department that he was “forced” to sign the settlement
22 agreement dated October 31, 2000. Although no written bona fide dispute existed, Ryan stated
23 that he forgave a portion of the amount owed by Century because, Ryan claimed, Burger had
24 threatened not to pay him. In the settlement, Century agreed to pay only \$3,000 out of the total
25 of \$7,000 fees owed on 16 appraisal reports. The agreement required Ryan to cease collection
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action on “. . . past appraisals . . . including the collection from Hackney, Hamilton, March and Carroll Law Office.” This stipulation in the agreement was an intentional violation of the Act.

2.24 Burger, and Gibbons were signatories on one general business account belonging to Century. Third-party service provider fees paid to Century on behalf of borrowers were paid into this general business bank account. Burger and Gibbons knew or should have known that third-party service provider charges must be deposited into only a trust account. Table 2 lists 13 third-party provider fees paid to Century by closing agents not deposited into a trust account:

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Table 2 – Third Party Service Provider Services Fees Pay to Century

Buyer	Property Address	Agent/Check Number	Third-party fee Paid
Aleman	2221 N Cincinnati St., Spokane, WA	Custom /39836	Appraisal: 500.00 Credit Report: 40.00
Fisher	118 S Thor Street, Spokane	Custom//33777	Credit Report: 30.00
Anderson	1224 W Carlisle Avenue, Spokane	Custom/33874	Appraisal: 400.00 Credit Report: 30.00
Triumph	3103 N Lincoln Street, Spokane	Custom/	Appraisal: 400.00 Credit Report: 30.00
Jacobs	5317 N Maple Street, Spokane	Nees/Letter: 1/22/98	Appraisal 400.00 Credit Report 65.00
Rishar	224 S Green Street, Spokane	Custom/32844	Appraisal 400.00 Credit Report 65.00
Gethers	5414 N Monroe Street, Spokane	Century/5298	Appraisal 400.00
Mazur	1007 E Baldwin Avenue, Spokane	Custom/32599	Appraisal 400.00 Credit Report 20.00

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Thomas	3020 N Regal Street, Spokane	Custom/31286	Credit Report 20.00
Tinn	1026 W Grace Avenue, Spokane	Nees/ Letter: 2/5/1998	Appraisal 400.00 Credit Report 20.00
Bates	5410 W Princeton Place, Spokane	Custom/CK#37896	Appraisal 300.00 Credit Report 20.00
Bercier	2227 E Empire Avenue, Spokane	Custom/CK#30430 Cent. CK#5902 (\$400)	Appraisal 400.00 Credit Report 20.00
Mashtatare II	1218 N Bowman Avenue, Spokane	Nees/Letter: 8/4/1998	Appraisal: 400.00 Credit Report: 30.00

2.25 Burger, Gibbons, Klein, and Taylor assisted borrowers in obtaining or applying to obtain mortgage loans for compensation or gain or in expectation of compensation or gain without first seeking and obtaining a mortgage broker license. The Department determined that Burger, Gibbons, Klein, and Taylor have illegally earned, as of the entry of this order, an amount known to be as much as \$22,027.71. [See Table 3]. Potential illegal fees could be found on the remaining 572 mortgage loans that were not reviewed.

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Table 3 – Illegal Mortgage Broker Fees

Borrower	Property Address	Closing Date	Loan Amount	Loan Fee	Loan Processing	Yield Spread	Total Fees
Smith, Grandin	7122 E. Liberty	3/19/1997	65,250	1,957.50	350.00	1,712.81	4,020.31
Sanderson, Steven	332 N. Ridgeview Drive, Pt. Angeles	6/22/1997	405,000	6,075.00	350.00	8,100.00	14,525.00
Lindsey, Carroll	1218 W. Providence Av	7/17/1997	79,200			1,584.00	1,584.00
DeWitt, Sandra	2222 North Wall Street	7/17/1997	79,920	1,000.00	300.00	1,598.40	2,898.40

Total Amount of Illegal Fees Earned: \$22,027.71

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2 2.26 BKK, BK, Burger, Gibbons, Klein and Taylor caused potential significant
3 financial harm to borrowers who obtained mortgage loans through BKK, BK, and Gene Taylor
4 dba Century Mortgage from March 27, 1995, through September 17, 1997. These borrowers
5 were not protected by a surety bond.

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7 2.27 Century, Burger, Gibbons, Curtis Orvick, Scott Tollefson, Jon Webb, Michael
8 Deasy, Mark Hodge and David Burger failed to provide the required “lock-in agreement”
9 disclosure to the borrowers who obtained the 22 mortgage loans investigated. Century was the
10 mortgage loan originator and broker on all the 22 mortgage loans.

11 2.28 Century, Burger, Gibbons, Klein, Curtis Orvick, Scott Tollefson, Jon Webb,
12 Michael Deasy, Mark Hodge and David Burger failed to provide borrowers with written
13 disclosures that included the statement that if the borrower was unable to obtain a loan for any
14 reason, the mortgage broker would, within five days of a written request by the borrower,
15 provide copies of any appraisal, title report, or credit report paid for by the borrower to the
16 borrower in 15 out of the 22 mortgage loans investigated.

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18 2.29 Pursuant to federal Regulation X, 24 CFR §3500.15 a mortgage broker making a
19 referral must provide each person whose business is referred a written Affiliated Business
20 Arrangement Disclosure Statement stating the nature of the relationship, explaining the
21 ownership and financial interest, between the provider of settlement services and the person
22 making the referral. The person making the referral must disclose an estimated charge or range
23 of charges generally made by the affiliated provider receiving the referred business, and the
24 disclosures must be provided on a separate piece of paper no later than the time of each
25 referral.
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2 According to §3500.15(c)(2), "An affiliate relationship means the relationship among business
3 entities where one entity has effective control over the other by virtue of a partnership or other
4 agreement or is under common control with the other by a third entity or where an entity is a
5 corporation related to another corporation as parent to subsidiary by an identity of stock
6 ownership." BG and Century are two companies under common control by Burger and
7 Gibbons who have 50% ownership each in BG, and 33% ownership each in Century.
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9 BG was also in a position to refer settlement services. As stated in § 3500.15 (c)(9), "[A]
10 person who is in a position to refer settlement service business means any real estate broker or
11 agent, lender, mortgage broker, builder or developer, attorney, title company, title agent, or
12 other person deriving a significant portion of his or her gross income from providing settlement
13 services."
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15 Pursuant to §3(7) of the enabling statute, 12 USC 2602(7) the "...term "affiliated
16 business arrangement" means an arrangement in which:

17 . . . A person who is in a position to refer business incident to or a part of a real estate
18 settlement service involving a federally related mortgage loan, or an associate of such
19 person, has either an affiliate relationship with or a direct or beneficial ownership
20 interest of more than 1 percent in a provider of settlement services; and either of such
21 persons directly or indirectly refers such business to that provider or affirmatively
22 influences the selection of that provider
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24 BG, as a limited liability company, and Burger and Gibbons, as officers or directors of
25 the two companies, are "in a position to refer" business incident to or a part of a real estate
26 settlement service to Century. The relationship of Burger and Gibbons to BG fall under section

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2 (3)8(C) of RESPA², which defines “associate” as “. . . an employer, officer, director,
3 partner...of such person . . . who is in a position to refer business incident to or a part of a real
4 estate settlement service.”

5
6 BG is affiliated to Century, Burger and Gibbons. Burger and Gibbons influenced the
7 selection of the mortgage broker by requiring the buyers/borrowers to use Century for
8 financing their mortgage transactions. This requirement was stipulated in the PSAs. Century,
9 Burger, Gibbons, Klein, Scott Tollefson, Michael Deasy, and Jon Webb referred mortgage
10 broker business to Century and they benefited financially from the referrals through mortgage
11 broker fees, yield spread premiums, loan origination fees, and commissions earned from
12 brokering these loans. They failed to disclose Century’s affiliation with Burger, Gibbons, their
13 spouses and BG on the mortgage loans referred to Century.
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15 2.30 Century, Burger, Gibbons and Klein failed to provide Truth in Lending (TIL)
16 disclosures that are clear and conspicuous in a form that the consumer may keep:

17 (a) Fisher, Brenda 118 South Thor St, Spokane

18 Several of the items that must be disclosed on the initial TIL statement were left blank,
19 including the creditor’s name and mailing address, applicant’s name, property address, annual
20 percentage rate, finance charge, amount financed, and total payments. Century essentially
21 required the borrower to sign blank disclosure forms, revealing Century’s complete disregard
22 for the Act. Further, Century could not provide documentation proving that it provided the
23 required variable rate disclosures on this mortgage loan.
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25 (b) Mazur, William 1007 East Baldwin Ave, Spokane
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² Real Estate Settlement Procedures Act, 12 USC 2602.

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The initial was not provided.

(c) Thomas, Sherene 3020 North Regal Street, Spokane

The initial TIL disclosure statement, and the variable rate disclosures were not provided on this loan. Century could not provide the Department with a copy of the initial 1003 application form.

(d) Robert Christerson 2607 North Altamont Street, Spokane

Century failed to provide the variable rate disclosures required by Regulation Z.

(e) Tinn, Elias 1026 West Grace Avenue, Spokane

Century did not provide the required variable rate disclosures on this mortgage loan.

III. GROUND FOR ENTRY OF ORDER

3.1 Pursuant to RCW 19.146.0201, it is a violation of this chapter for a loan originator, mortgage broker required to be licensed under this chapter, or mortgage broker otherwise exempted from this chapter under RCW 19.146.020(1) (d) or (f) in connection with a residential mortgage loan to:

(1) Directly or indirectly employ any scheme, device, or artifice to defraud or mislead borrowers or lenders or to defraud any person;

(2) Engage in any unfair or deceptive practice toward any person;

(3) Obtain property by fraud or misrepresentation.

(6) Fail to make disclosures to loan applicants and noninstitutional investors as required by RCW 19.146.030 and any other applicable state or federal law;

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2 (7) Make, in any manner, any false or deceptive statement or representation with
3 regard to the rates, points, or other financing terms or conditions for a residential
4 mortgage loan or engage in bait and switch advertising.

5 (9) Make any payment directly or indirectly, to any appraiser of a property, for
6 the purpose of influencing the independent judgment of the appraiser with respect to the
7 value of the property
8

9 (11) Fail to pay third-party providers no later than thirty days after the
10 recording of the loan closing documents or ninety days after completion of the third-
11 party service, whichever comes first, unless otherwise agreed or unless the third-party
12 service provider has been notified in writing that a bona fide dispute exists regarding
13 the performance or quality of the third-party service.
14

15 3.1.1 Century, Burger, Gibbons, Klein, Scott Tollefson, Jon Webb, Michael Deasy,
16 and Mark Hodge were in apparent violation of paragraphs 19.146.0201(1), (2), and (3) when
17 they employed schemes, devices and artifices with certain third-party service providers and
18 caused the preparation of false and fraudulent payment instruments such as cashier's checks,
19 personal checks and business checks, which were submitted to mortgage lenders in support of
20 loan applications for buyers of residential properties to obtain financing. These schemes,
21 devices and artifices resulted in the potential losses presented in Table 1a of Section II of this
22 statement of charges;
23

24 3.1.2 Century, Burger, Gibbons, Klein, Scott Tollefson, Curtis Orvick, Jon Webb,
25 Michael Deasy, Mark Hodge, and David Burger were in apparent violation of paragraphs
26 19.146.0201(1), (2), and (3) when they employed schemes, devices and artifices with other

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2 third-party service providers and caused the preparation of false and fraudulent loan
3 documentation such as HUD-1 settlement statement, 1003 loan application forms, and gift
4 letters in order to misrepresent that buyers of residential properties made the down payments
5 required by mortgage lenders, when in truth and in fact, the buyers/borrowers did not make the
6 down payments required by mortgage lenders as noted in Section II of this statement of
7 charges;
8

9 3.1.3 Century, Burger, Gibbons, Klein, Curtis Orvick, and Michael Deasy were in
10 apparent violation of paragraphs 19.146.0201(1), (2), and (3) when they employed schemes,
11 devices and artifices with other third-party service providers and caused to be prepared
12 phantom second mortgage deeds of trust that were fraudulently not disclosed to the mortgage
13 lenders. These schemes, devices and artifices resulted in the potential loss presented in Table
14 1b of Section II of this statement of charges;
15

16 3.1.4 Century, Burger, Gibbons, and Klein were in apparent violation of paragraphs
17 19.146.0201(1), (2), and (3) when they employed schemes, devices and artifices to prepare
18 false and fraudulent documents related to the financial conditions of the buyers/borrowers in
19 order to make buyers/borrowers appear to qualify for mortgage loans as noted in the mortgage
20 loans to Christerson and Fisher. These false and fraudulent documents included, but were not
21 limited to:
22

- 23 (a) Statements of false assets,
24 (b) False or fraudulent verification of deposit,
25 (c) False or fraudulent verification of rent;
26

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2 3.1.5 Century, Burger, Gibbons and Klein were in apparent violation of paragraphs
3 19.146.0201(1), (2), and (3) when they employed schemes, devices and artifices with other
4 third-party service providers and caused \$2,000 in illegal referral fees to be paid to Burger and
5 Gibbons and an additional \$3,050 illegal costs to be paid to Gibbons and Century on the
6 Thomas mortgage loan.
7

8 3.1.6 Century, Burger, Gibbons, Klein, Scott Tollefson, Jon Webb, Michael Deasy,
9 Mark Hodge, Curtis Orvick and David Burger were in apparent violation of paragraphs
10 19.146.0201(1), (2), and (3) when they employed schemes, devices and artifices with other
11 third-party service providers and caused to be prepared inflated appraisals on residential
12 properties in order to create “phantom” equity for the purpose of inducing mortgage lenders to
13 provide 100 percent financing or more for residential properties.
14

15 3.1.7 Century, Burger, Gibbons, Klein, Scott Tollefson, Michael Deasy, Jon Webb,
16 Curtis Orvick, Mark Hodge and David Burger were in apparent violation of paragraphs
17 19.146.0201 (6) when they failed to comply with prohibitions against equity skimming under
18 RCW 61.34.020. Because Century failed to comply with this state law, it violated RCW
19 19.146.0201(6), which requires mortgage brokers to comply with RCW 19.146.030 and any
20 other applicable state or federal law.
21

22 3.1.8 Century, Burger, Gibbons, Klein, Scott Tollefson, Michael Deasy, and Jon
23 Webb were in apparent violation of paragraph 19.146.0201(6) when they failed to comply with
24 the affiliated business arrangement (AfBA) disclosure requirements under Regulation X, 24
25 CFR §3500.15 of the Real Estate Settlement Procedures Act (RESPA).
26

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2 3.1.9 Century, Burger, Gibbons, and Klein were in apparent violation of paragraphs
3 19.146.0201(9) when they directly withheld payments for third-party appraisals fees for the
4 purposes of influencing the independent judgment of the appraiser.

5 3.1.10 Century, Burger, Gibbons and Klein were in apparent violation of paragraph
6 19.146.0201(11) when they refused to pay Ryan the actual amount of the \$7,000 third-party
7 appraisals fees owed, and instead paid only \$3,000 to Ryan, as presented in Section II of this
8 statement of charges.

9 3.1.11 Pursuant to RCW 19.146.030(1), within three business days following receipt of
10 a loan application or any moneys from a borrower, a mortgage broker shall provide to each
11 borrower a full written disclosure containing an itemization and explanation of all fees and
12 costs that the borrower is required to pay in connection with obtaining a residential mortgage
13 loan, and specifying the fee or fees which inure to the benefit of the mortgage broker and other
14 such disclosures as may be required by rule. A good faith estimate of a fee or cost shall be
15 provided if the exact amount of the fee or cost is not determinable.

16 (a) The written disclosure shall contain the following information:

17 (1) The annual percentage rate, finance charge, amount financed, total amount
18 of all payments, number of payments, amount of each payment, amount of points or
19 prepaid interest and the conditions and terms under which any loan terms may change
20 between the time of disclosure and closing of the loan; and if a variable rate, the
21 circumstances under which the rate may increase, any limitation on the increase, the
22 effect of an increase, and an example of the payment terms resulting from an increase.

23 Disclosure in compliance with the requirements of the truth-in-lending act, 15 U.S.C.

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2 Sec. 1601 and Regulation Z, 12 C.F.R. Sec. 226, as now or hereafter amended, shall be
3 deemed to comply with the disclosure requirements of this subsection.

4 Century, Burger, Gibbons, and Klein were in apparent violation of this section
5 when they failed to provide required TIL disclosures.
6

7 (c) If applicable, the cost, terms, duration, and conditions of a lock-in agreement
8 and whether a lock-in agreement has been entered, and whether the lock-in agreement is
9 guaranteed by the mortgage broker or lender, and if a lock-in agreement has not been
10 entered, disclosure in a form acceptable to the Director that the disclosed interest rate
11 and terms are subject to change.
12

13 Century, Burger, Gibbons, Klein, Curtis Orvick, Michael Deasy, Jon Webb,
14 Scott Tollefson, Mark Hodge and David Burger were in apparent violation of this
15 section when they failed to provide the lock-in agreement disclosure.

16 (d) A statement that if the borrower is unable to obtain a loan for any reason, the
17 mortgage broker must, within five days of a written request by the borrower, give
18 copies of any appraisal, title report, or credit report paid for by the borrower to the
19 borrower, and transmit the appraisal, title report, or credit report to any other mortgage
20 broker or lender to whom the borrower directs the documents to be sent.
21

22 Century, Burger, Gibbons, Klein, Curtis Orvick, Michael Deasy, Jon Webb,
23 Scott Tollefson, Mark Hodge and David Burger were in apparent violation of this
24 section when they failed to provide the required third-party disclosures.

25 (e) Whether and under what conditions any lock-in fees are refundable to the
26 borrower.

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Century, Burger, Gibbons, Klein, Curtis Orvick, Michael Deasy, Jon Webb, Scott Tollefson, David Burger and Mark Hodge were in apparent violation of this section when they failed to provide the required disclosures on conditions under which lock-in fees are refundable.

(f) A statement providing that moneys paid by the borrower to the mortgage broker for third-party provider services are held in a trust account and any moneys remaining after payment to third-party providers will be refunded.

Century, Burger, Gibbons, Klein, Curtis Orvick, Michael Deasy, Jon Webb, Scott Tollefson, David Burger and Mark Hodge were in apparent violation of this section when they failed to provide the required disclosure statement on trust account funds on all the 22 mortgage loans investigated.

3.1.12 Pursuant to RCW 19.146.050, all moneys received by a mortgage broker from a borrower for payment of third-party provider services shall be deemed as held in trust immediately upon receipt by the mortgage broker. A mortgage broker shall deposit, prior to the end of the third business day following receipt of such trust funds, all such trust funds in a trust account of a federally insured financial institution located in this state. All trust account funds collected under this chapter must remain on deposit in a trust account in the state of Washington until disbursement. The trust account shall be designated and maintained for the benefit of borrowers. Moneys maintained in the trust account shall be exempt from execution, attachment, or garnishment. A mortgage broker shall not in any way encumber the corpus of the trust account or commingle any other operating funds with trust account funds. Withdrawals from the trust account shall be only for the payment of bona fide services

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2 rendered by a third-party provider or for refunds to borrowers. The director shall make rules
3 which: (1) Direct mortgage brokers how to handle checks and other instruments that are
4 received by the broker and that combine trust funds with other funds; and (2) permit transfer of
5 trust funds out of the trust account for payment of other costs only when necessary and only
6 with the prior express written permission of the borrower. Any interest earned on the trust
7 account shall be refunded or credited to the borrowers at closing. Trust accounts that are
8 operated in a manner consistent with this section and any rules adopted by the director, are
9 considered exempt from taxation under chapter 82.04 RCW.
10

11 Century, Burger, and Gibbons were in apparent violation of this section when they
12 failed to deposit funds received from borrowers or on behalf of borrowers, for the payment of
13 third-party providers, into a trust account.
14

15 3.1.13. Pursuant to RCW 19.146.200(1), a person may not engage in the business of a
16 mortgage broker, except as an employee of a person licensed or exempt from licensing, without
17 first obtaining and maintaining a license under this chapter. However, a person who
18 independently contracts with a licensed mortgage broker need not be licensed if the licensed
19 mortgage broker and the independent contractor have on file with the director a binding written
20 agreement under which the licensed mortgage broker assumes responsibility for the
21 independent contractor's violations of any provision of this chapter or rules adopted under this
22 chapter; and if the licensed mortgage broker's bond or other security required under this chapter
23 runs to the benefit of the state and any person who suffers loss by reason of the independent
24 contractor's violation of any provision of this chapter or rules adopted under this chapter.
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2 Burger, Gibbons, Klein, BK, BKK and Taylor were in apparent violation of this section
3 when they assisted 576 borrowers in obtaining or applying to obtain mortgage loans for
4 compensation or gain or expectation of compensation or gain without first seeking and
5 obtaining a mortgage broker license.
6

7 Taylor was in apparent violation of these paragraphs when he failed to file with the
8 Department a binding written agreement between the licensed mortgage broker and the
9 independent contractor under which the licensed mortgage broker assumes responsibility for
10 the independent contractor's violations of the Act.
11

12 3.1.14 Pursuant to RCW 19.146.205(4)(a), each applicant for a mortgage broker's
13 license shall file and maintain a surety bond, in an amount of not greater than sixty thousand
14 dollars nor less than twenty thousand dollars which the director deems adequate to protect the
15 public interest, executed by the applicant as obligor and by a surety company authorized to do a
16 surety business in this state as surety.
17

18 Burger, Gibbons, Klein, BK, BKK and Taylor were in apparent violation of this section
19 when they failed to maintain a surety bond prior to making mortgage loans or assisting
20 borrowers in obtaining or applying to obtain mortgage loans, or holding themselves out as
21 being able to make mortgage loans or assisting borrowers in obtaining or applying to obtain
22 mortgage loans.
23

24 3.1.15 Pursuant to RCW 19.146.220:

- 25 (1) The Director shall enforce all laws and rules relating to the licensing of
26 mortgage brokers, grant or deny licenses to mortgage brokers, and hold
hearings.

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- (2) The Director may impose the following sanctions:
 - (b) Suspend or revoke licenses for:
 - (iii) Failure to comply with any directive or order of the Director; or
 - (iv) Any violation of RCW 19.146.050, 19.146.060(3), 19.146.0201(1) through (9) or (12), 19.146.205(4), or 19.146.265;
 - (c) Impose fines on the licensee, employee or loan originator of the licensee, or other person subject to this chapter for:
 - (i) Any violations of RCW 19.146.0201(1) through (9) or (12), 19.146.030 through 19.146.080, 19.146.200, 19.146.205(4), or 19.146.265; or
 - (ii) Failure to comply with any directive or order of the Director;
 - (d) Issue orders directing a licensee, its employee or loan originator, or other person subject to this chapter to:
 - (i) Cease and desist from conducting business in a manner that is injurious to the public or violates any provision of this chapter; or
 - (ii) Pay restitution to an injured borrower; or
 - (e) Issue orders removing from office or prohibiting from participation in the conduct of the affairs of a licensed mortgage broker, or both, any officer, principal, employee, or loan originator of any licensed mortgage broker or any person subject to licensing under this chapter for:
 - (j) Any violation of 19.146.0201(1) through (9) or (12), 19.146.030 through 19.146.080, 19.146.200, 19.146.205(4), or 19.146.265; or
 - (i) Failure to comply with any directive or order of the Director.
- (3) Each day's continuance of a violation or failure to comply with any directive or order of the Director is a separate and distinct violation or failure.

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3 3.1.16. Pursuant to RCW 19.146.228(2), the Director shall establish fees by rule in
4 accordance with RCW 43.24.086 sufficient to cover, but not exceed, the costs of administering
5 this chapter. Pursuant to WAC 208-660-060(4), the investigation charge shall be calculated at
6 the rate of forty-five dollars per hour that each staff person devoted to the investigation.

7 3.1.17 Pursuant to WAC 208-660-160, the Director may deny or condition approval of
8 a license application, or suspend or revoke a license if the applicant or licensee, or any
9 principal or designated broker of the applicant or licensee:

10 (1) Has violated the provisions of the Mortgage Broker Practices Act, or the
11 Consumer Protection Act.

12 (2) Has aided or abetted an unlicensed person to practice in violation of the
13 Mortgage Broker Practices Act

14 (3) Has demonstrated incompetence or negligence that results in injury to a person
15 or that creates an unreasonable risk that a person may be harmed.

16 (4) Has performed an act of misrepresentation or fraud in any aspect of the conduct
17 of the mortgage broker business or profession.

18 3.1.18 Pursuant to WAC 208-660-165, each mortgage broker and each of its principals,
19 designated brokers, officers, employees, independent contractors, and agents shall comply with
20 the applicable provisions of the Mortgage Broker Practices Act. Each violation of any
21 applicable provision of the Mortgage Broker Practices Act, or of any order, directive, or
22 requirement of the Director may, at the discretion of the Director, subject the violator to a fine
23 of up to one hundred dollars for each offense. Each day's continuance of the violation is a
24 separate and distinct offense. In addition, the Director in his or her discretion may by order
25 assess other penalties for a violation of the Mortgage Broker Practices Act.

26 **IV. NOTICE OF INTENTION TO ENTER AN ORDER**

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2 The violations of the Act by Burger, Gibbons, Klein, Taylor, Curtis Orvick, Michael
3 Deasy, Jon Webb, Scott Tollefson, Mark Hodge and David Burger constitute the basis for the
4 entry of an order under RCW 19.146.220. Therefore, it is the Director's intention to ORDER:

5 4.1 That Century Mortgage, Inc.'s license is revoked for a period of 20 years,

6 4.2 That Ronald L. Burger, is removed from office and prohibited from participation
7 in the conduct of the affairs of a licensed mortgage broker, or mortgage broker subject to licensing
8 under the Act, as an officer, principal, employee or loan originator for a period of twenty years,

9 4.3 That Dale (Sage) Gibbons is removed from office and prohibited from
10 participation in the conduct of the affairs of a licensed mortgage broker, or mortgage broker subject
11 to licensing under the Act, as an officer, principal, employee or loan originator for a period of
12 twenty years,

13 4.4 That Dwaine R. Klein is removed from office and prohibited from participation in
14 the conduct of the affairs of a licensed mortgage broker, or mortgage broker subject to licensing
15 under the Act, as an officer, principal, employee or loan originator for a period of ten years,

16 4.5 That Gene Arthur Taylor is removed from office and prohibited from participation
17 in the conduct of the affairs of a licensed mortgage broker, or mortgage broker subject to licensing
18 under the Act, as an officer, principal, employee or loan originator for a period of ten years, and

19 4.6 That the following loan officers be removed from office and prohibited from
20 participation in the conduct of the affairs of a licensed mortgage broker, or mortgage broker subject
21 to licensing under the Act, as officers, principals, employees or loan originators for a period of five
22 years:
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24 (1) Michael Deasy

25 (2) Curtis Orvick
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- (3) Jon Webb
- (4) Scott Tollefson
- (5) Mark Hodge
- (6) David Burger

4.7 That Century and/or Burger, Gibbons and Klein shall pay fines in the amount of \$1,456,650 for violations of the Mortgage Broker Practices Act as described below:

4.7.1 68 violations of RCW 19.146.0201(1) calculated at \$100.00 per day for 30 days for each violation for a total of \$204,000 for directly or indirectly employing a scheme, device, or artifice to defraud or mislead in the making of the mortgage loans presented in Section II of this statement of charges.

4.7.2 68 violations of RCW 19.146.0201(2) calculated at \$100.00 per day for 30 days for each violation for a total of \$204,000 for engaging in an unfair or deceptive practice in the making of the mortgage loans presented in Section II of this statement of charges.

4.7.3 68 violation of RCW 19.146.0201(3), calculated at \$100.00 per day for 30 days for a total of \$204,000.00 for obtaining property by fraud and misrepresentation in the making of the mortgage loans.

4.7.4 33 violations of RCW 19.146.0201(6) calculated at \$100.00 per day for 30 days for a total of \$99,000.00 for failing to make Affiliated Business Arrangement disclosures to loan applicants and noninstitutional investors, and failing to comply with prohibitions against Equity Skimming as required by RCW 19.146.030, in the making of the mortgage loans.

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2 4.7.5 96 violations of RCW 19.146.0201(9) calculated at \$100 per day for 30 days for a
3 total of \$288,000 for directly withholding payments for third-party appraisals for the purposes
4 of influencing the independent judgment of the appraiser.

5
6 4.7.6 16 violations of RCW 19.146.0201(11) calculated at \$100 per day for 30 days for a
7 total of \$48,000 for failing to pay third-party providers no later than thirty days after the recording
8 of the loan closing documents or ninety days after completion of the third-party service.

9
10 4.7.7 Four violations of RCW 19.146.030(2)(a) calculated at \$75 for 30 days for a total
11 of \$9,000 for failing to provide the required Truth in Lending disclosure for the mortgage loans
12 presented in Section II of the statement of charges.

13 4.7.8 Five violations of RCW 19.146.030(2)(a) calculated at \$75 for 30 days for a total of
14 \$11,250 for failing to provide the Variable Rate disclosures required under the Truth in Lending
15 Act as presented in Section II of the statement of charges

16 4.7.9 22 violations of RCW 19.146.030(2)(c) calculated at \$100 per day for 30 days for a
17 total of \$66,000 for failing to provide the lock-in agreement disclosure required for the
18 mortgage loans presented in Section II of this statement of charges.

19
20 4.7.10 22 violations of RCW 19.146.030(2)(d) calculated at \$100 for 30 days for a total of
21 \$66,000 for failing to provide the required third-party disclosures for mortgage loans presented
22 in Section II of the statement of charges.

23 4.7.11 22 violations of RCW 19.146.030(2)(e) calculated at \$100 for 30 days for a total of
24 \$66,000 for failing to provide the required disclosures on conditions under which lock-in fees
25 are refundable for the mortgage loans noted in Section II of the statement of charges.
26

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2 4.7.12 22 violations of RCW 19.146.030(2)(f) calculated at \$100 for 30 days for a total of
3 \$66,000 for failing to provide the disclosure required for funds held in the trust account for
4 third-party provider services on the 22 mortgage loans analyzed in Section II of the statement
5 of charges.

6
7 4.7.13 13 violations of RCW 19.146.050 calculated at \$100 for 30 days for a total of
8 \$39,000 for failing to deposit funds received from borrowers or on behalf of borrowers, for the
9 payment of third-party providers, into a trust account.

10 4.7.14 576 violations of RCW 19.146.200(1) calculated at \$75 for one day for a total of
11 \$43,200 for engaging in the business of a mortgage broker without first obtaining and
12 maintaining a license under this chapter as presented in Section II of this statement of charges.

13
14 4.7.15 576 violations of RCW 19.146.205(4a) calculated at \$75 for one day for a total of
15 \$43,200 for failing to maintain a surety bond prior to making mortgage loans or assisting
16 borrowers in obtaining or applying to obtain mortgage loans, or holding themselves out as
17 being able to make mortgage loans or assisting borrowers in obtaining or applying to obtain
18 mortgage loans as presented in Section II of this statement of charges.

19
20 4.8 That Gene A. Taylor dba Century Mortgage and/or Gene Arthur Taylor shall pay
21 fines in the amount of \$28,800 for violations of the Mortgage Broker Practices Act as described
22 below:

23 4.8.1 576 violations of RCW 19.146.200(1) at \$25 for one day for a total of \$14,400 for
24 failing to file with the Department a binding written agreement between the licensed mortgage
25 broker and the independent contractor under which the licensed mortgage broker assumes
26 responsibility for the independent contractor's violations of the Act. Taylor rather participated

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2 with BKK, BK, Burger, Gibbons, and Klein in the conduct of unlicensed mortgage broker
3 business in violation of the Mortgage Broker Practices Act.

4 4.8.2 576 violations of RCW 19.146.205(4a) 576 violations of RCW 19.146.205(4a)
5 calculated at \$25 for one day for a total of \$14,400 for failing to maintain a surety bond in order
6 to provide sufficient surety bond coverage to protect borrowers who obtained loans through
7 Burger, Gibbons, Klein, BK, or BKK, either as independent contractors or as employees of
8 Taylor.
9

10 4.9 That Michael Deasy shall pay fines in the amount of \$90,000 for violations of the
11 Mortgage Broker Practices Act as described below:

12 4.9.1 6 violations of RCW 19.146.0201(1) calculated at \$100.00 per day for 30 days for
13 each violation for a total of \$18,000 for directly or indirectly employing a scheme, device, or
14 artifice to defraud or mislead in the making of the mortgage loans presented in Section II of this
15 statement of charges.
16

17 4.9.2 6 violations of RCW 19.146.0201(2) calculated at \$100.00 per day for 30 days for
18 each violation for a total of \$18,000 for engaging in an unfair or deceptive practice in the making
19 of the mortgage loans presented in Section II of this statement of charges.
20

21 4.9.3 6 violations of RCW 19.146.0201(3), calculated at \$100.00 per day for 30 days for
22 a total of \$18,000.00 for obtaining property by fraud and misrepresentation in the making of the
23 mortgage loans presented in Section II of this statement of charges.

24 4.9.4 4 violations of RCW 19.146.0201(6) calculated at \$100.00 per day for 30 days for a
25 total of \$12,000.00 for failing to make Affiliated Business Arrangement disclosures to loan
26 applicants and noninstitutional investors, and failing to comply with prohibitions against Equity

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2 Skimming as required by RCW 19.146.030, in the making of the loans presented in Section II of
3 this statement of charges.

4 4.9.5 2 violations of RCW 19.146.030(2)(c) calculated at \$100 per day for 30 days for a
5 total of \$6,000 for failing to provide the lock-in agreement disclosure required for the mortgage
6 loans presented in Section II of this statement of charges.

7
8 4.9.6 2 violations of RCW 19.146.030(2)(d) calculated at \$100 for 30 days for a total of
9 \$6,000 for failing to provide the required third-party disclosures for mortgage loans presented
10 in Section II of the statement of charges.

11 4.9.7 2 violations of RCW 19.146.030(2)(e) calculated at \$100 for 30 days for a total of
12 \$6,000 for failing to provide the required disclosures on conditions under which lock-in fees are
13 refundable for the mortgage loans noted in Section II of the statement of charges.

14 4.9.8 2 violations of RCW 19.146.030(2)(f) calculated at \$100 for 30 days for a total of
15 \$6,000 for failing to provide the disclosure required for funds held in the trust account for third-
16 party provider services.

17
18 4.10. That Curtis Orvick shall pay fines in the amount of \$42,000 for violations of the
19 Mortgage Broker Practices Act as described below:

20 4.10.1 3 violations of RCW 19.146.0201(1) calculated at \$100.00 per day for 30 days for
21 each violation for a total of \$9,000 for directly or indirectly employing a scheme, device, or artifice
22 to defraud or mislead in the making of the mortgage loans presented in Section II of this statement
23 of charges.
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2 4.10.2 3 violations of RCW 19.146.0201(2) calculated at \$100.00 per day for 30 days for
3 each violation for a total of \$9,000 for engaging in an unfair or deceptive practice in the making of
4 the mortgage loans presented in Section II of this statement of charges.

5
6 4.10.3 3 violations of RCW 19.146.0201(3), calculated at \$100.00 per day for 30 days for
7 a total of \$9,000.00 for obtaining property by fraud and misrepresentation in the making of the
8 mortgage loans presented in Section II of this statement of charges.

9
10 4.10.4 1 violation of RCW 19.146.0201(6) calculated at \$100.00 per day for 30 days for a
11 total of \$3,000.00 for failing to make Affiliated Business Arrangement disclosures to loan
12 applicants and noninstitutional investors, and failing to comply with prohibitions against Equity
13 Skimming as required by RCW 19.146.030, in the making of the loans presented in Section II of
14 this statement of charges.

15 4.10.5 1 violation of RCW 19.146.030(2)(c) calculated at \$100 per day for 30 days for a
16 total of \$3,000 for failing to provide the lock-in agreement disclosure required for the mortgage
17 loans presented in Section II of this statement of charges.

18 4.10.6 1 violation of RCW 19.146.030(2)(d) calculated at \$100 for 30 days for a total of
19 \$3,000 for failing to provide the required third-party disclosures for mortgage loans presented
20 in Section II of the statement of charges.

21
22 4.10.7 1 violation of RCW 19.146.030(2)(e) calculated at \$100 for 30 days for a total of
23 \$3,000 for failing to provide the required disclosures on conditions under which lock-in fees are
24 refundable for the mortgage loans noted in Section II of the statement of charges.

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2 4.10.8 1 violation of RCW 19.146.030(2)(f) calculated at \$100 for 30 days for a total of
3 \$3,000 for failing to provide the disclosure required for funds held in the trust account for third-
4 party provider services.

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6 4.11 That Jon Webb shall pay fines in the amount of \$45,000 for violations of the
7 Mortgage Broker Practices Act as described below:

8 4.11.1 3 violations of RCW 19.146.0201(1) calculated at \$100.00 per day for 30 days for
9 each violation for a total of \$9,000 for directly or indirectly employing a scheme, device, or artifice
10 to defraud or mislead in the making of the mortgage loans presented in Section II of this statement
11 of charges.

12 4.11.2 3 violations of RCW 19.146.0201(2) calculated at \$100.00 per day for 30 days for
13 each violation for a total of \$9,000 for engaging in an unfair or deceptive practice in the making of
14 the mortgage loans presented in Section II of this statement of charges.

15 4.11.3 3 violations of RCW 19.146.0201(3), calculated at \$100.00 per day for 30 days for
16 a total of \$9,000.00 for obtaining property by fraud and misrepresentation in the making of the
17 mortgage loans presented in Section II of this statement of charges.

18 4.11.4 2 violations of RCW 19.146.0201(6) calculated at \$100.00 per day for 30 days for a
19 total of \$6,000.00 for failing to make Affiliated Business Arrangement disclosures to loan
20 applicants and noninstitutional investors, and failing to comply with prohibitions against Equity
21 Skimming as required by RCW 19.146.030, in the making of the loans presented in Section II of
22 this statement of charges.
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2 4.11.5 1 violation of RCW 19.146.030(2)(c) calculated at \$100 per day for 30 days for a
3 total of \$3,000 for failing to provide the lock-in agreement disclosure required for the mortgage
4 loans presented in Section II of this statement of charges.

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6 4.11.6 1 violation of RCW 19.146.030(2)(d) calculated at \$100 for 30 days for a total of
7 \$3,000 for failing to provide the required third-party disclosures for mortgage loans presented
8 in Section II of the statement of charges.

9
10 4.11.7 1 violation of RCW 19.146.030(2)(e) calculated at \$100 for 30 days for a total of
11 \$3,000 for failing to provide the required disclosures on conditions under which lock-in fees are
12 refundable for the mortgage loans noted in Section II of the statement of charges.

13
14 4.11.8 1 violation of RCW 19.146.030(2)(f) calculated at \$100 for 30 days for a total of
15 \$3,000 for failing to provide the disclosure required for funds held in the trust account for third-
16 party provider services.

17 4.12 That Scott Tollefson shall pay fines in the amount of \$69,000 for violations of the
18 Mortgage Broker Practices Act as described below:

19 4.12.1 5 violations of RCW 19.146.0201(1) calculated at \$100.00 per day for 30 days for
20 each violation for a total of \$15,000 for directly or indirectly employing a scheme, device, or
21 artifice to defraud or mislead in the making of the mortgage loans presented in Section II of this
22 statement of charges.

23 4.12.2 3 violations of RCW 19.146.0201(2) calculated at \$100.00 per day for 30 days for
24 each violation for a total of \$15,000 for engaging in an unfair or deceptive practice in the making
25 of the mortgage loans presented in Section II of this statement of charges.
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2 4.12.3 3 violations of RCW 19.146.0201(3), calculated at \$100.00 per day for 30 days for
3 a total of \$15,000.00 for obtaining property by fraud and misrepresentation in the making of the
4 mortgage loans presented in Section II of this statement of charges.

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6 4.12.4 4 violations of RCW 19.146.0201(6) calculated at \$100.00 per day for 30 days for a
7 total of \$12,000.00 for failing to make Affiliated Business Arrangement disclosures to loan
8 applicants and noninstitutional investors, and failing to comply with prohibitions against Equity
9 Skimming as required by RCW 19.146.030, in the making of the loans presented in Section II of
10 this statement of charges.

11
12 4.12.5 1 violation of RCW 19.146.030(2)(c) calculated at \$100 per day for 30 days for a
13 total of \$3,000 for failing to provide the lock-in agreement disclosure required for the mortgage
14 loans presented in Section II of this statement of charges.

15
16 4.12.6 1 violation of RCW 19.146.030(2)(d) calculated at \$100 for 30 days for a total of
17 \$3,000 for failing to provide the required third-party disclosures for mortgage loans presented
18 in Section II of the statement of charges.

19
20 4.12.7 1 violation of RCW 19.146.030(2)(e) calculated at \$100 for 30 days for a total of
21 \$3,000 for failing to provide the required disclosures on conditions under which lock-in fees are
22 refundable for the mortgage loans noted in Section II of the statement of charges.

23
24 4.12.8 1 violation of RCW 19.146.030(2)(f) calculated at \$100 for 30 days for a total of
25 \$3,000 for failing to provide the disclosure required for funds held in the trust account for third-
26 party provider services.

4.13 That Mark Hodge shall pay fines in the amount of \$42,000 for violations of the
Mortgage Broker Practices Act as described below:

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2 4.13.1 3 violations of RCW 19.146.0201(1) calculated at \$100.00 per day for 30 days for
3 each violation for a total of \$9,000 for directly or indirectly employing a scheme, device, or artifice
4 to defraud or mislead in the making of the mortgage loans presented in Section II of this statement
5 of charges.
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7 4.13.2 3 violations of RCW 19.146.0201(2) calculated at \$100.00 per day for 30 days for
8 each violation for a total of \$9,000 for engaging in an unfair or deceptive practice in the making of
9 the mortgage loans presented in Section II of this statement of charges.
10

11 4.13.3 3 violations of RCW 19.146.0201(3), calculated at \$100.00 per day for 30 days for
12 a total of \$9,000.00 for obtaining property by fraud and misrepresentation in the making of the
13 mortgage loans presented in Section II of this statement of charges.
14

15 4.13.4 1 violation of RCW 19.146.0201(6) calculated at \$100.00 per day for 30 days for a
16 total of \$3,000.00 for failing to make Affiliated Business Arrangement disclosures to loan
17 applicants and noninstitutional investors, and failing to comply with prohibitions against Equity
18 Skimming as required by RCW 19.146.030, in the making of the loans presented in Section II of
19 this statement of charges.
20

21 4.13.5 1 violation of RCW 19.146.030(2)(c) calculated at \$100 per day for 30 days for a
22 total of \$3,000 for failing to provide the lock-in agreement disclosure required for the mortgage
23 loans presented in Section II of this statement of charges.
24

25 4.13.6 1 violation of RCW 19.146.030(2)(d) calculated at \$100 for 30 days for a total of
26 \$3,000 for failing to provide the required third-party disclosures for mortgage loans presented
in Section II of the statement of charges.

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2 4.13.7 1 violation of RCW 19.146.030(2)(e) calculated at \$100 for 30 days for a total of
3 \$3,000 for failing to provide the required disclosures on conditions under which lock-in fees are
4 refundable for the mortgage loans noted in Section II of the statement of charges.

5
6 4.13.8 1 violation of RCW 19.146.030(2)(f) calculated at \$100 for 30 days for a total of
7 \$3,000 for failing to provide the disclosure required for funds held in the trust account for third-
8 party provider services.

9 4.14 David Burger shall pay fines in the amount of \$33,000 for violations of the
10 Mortgage Broker Practices Act as described below:

11 4.14.1 2 violations of RCW 19.146.0201(1) calculated at \$100.00 per day for 30 days for
12 each violation for a total of \$6,000 for directly or indirectly employing a scheme, device, or artifice
13 to defraud or mislead in the making of the mortgage loans presented in Section II of this statement
14 of charges.

15
16 4.14.2 2 violations of RCW 19.146.0201(2) calculated at \$100.00 per day for 30 days for
17 each violation for a total of \$6,000 for engaging in an unfair or deceptive practice in the making of
18 the mortgage loans presented in Section II of this statement of charges.

19
20 4.14.3 2 violations of RCW 19.146.0201(3), calculated at \$100.00 per day for 30 days for
21 a total of \$6,000.00 for obtaining property by fraud and misrepresentation in the making of the
22 mortgage loans presented in Section II of this statement of charges.

23 4.14.4 1 violation of RCW 19.146.0201(6) calculated at \$100.00 per day for 30 days for a
24 total of \$3,000.00 for failing to make Affiliated Business Arrangement disclosures to loan
25 applicants and noninstitutional investors, and failing to comply with prohibitions against Equity
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2 Skimming as required by RCW 19.146.030, in the making of the loans presented in Section II of
3 this statement of charges.

4 4.14.5 1 violation of RCW 19.146.030(2)(c) calculated at \$100 per day for 30 days for a
5 total of \$3,000 for failing to provide the lock-in agreement disclosure required for the mortgage
6 loans presented in Section II of this statement of charges.

7
8 4.14.6 1 violation of RCW 19.146.030(2)(d) calculated at \$100 for 30 days for a total of
9 \$3,000 for failing to provide the required third-party disclosures for mortgage loans presented
10 in Section II of the statement of charges.

11 4.14.7 1 violation of RCW 19.146.030(2)(e) calculated at \$100 for 30 days for a total of
12 \$3,000 for failing to provide the required disclosures on conditions under which lock-in fees are
13 refundable for the mortgage loans noted in Section II of the statement of charges.

14 4.14.8 1 violation of RCW 19.146.030(2)(f) calculated at \$100 for 30 days for a total of
15 \$3,000 for failing to provide the disclosure required for funds held in the trust account for third-
16 party provider services.

17
18 4.15 That Ronald L. Burger, Dale (Sage) Gibbons, Dwaine R. Klein and Century
19 Mortgage, Inc. shall pay restitution as follows:

- 20
21 (1) Sherene Thomas for a total of \$5,050
22 (2) Robert Ryan for a total of \$4,000
23 (3) Grandin Smith for a total of \$4,020.31
24 (4) Steven Sanderson for a total of \$14,525
25 (5) Carroll Lindsey for a total of \$1,584
26 (6) Sandra DeWitt for a total of \$2,898.40

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4.16 That Century pays investigation/examination fees of \$35,370 calculated at \$45.00 per hour for 786 hours of investigation/examination.

4.17 That Century maintains all books and records in compliance with RCW 19.146.060.

V. AUTHORITY AND PROCEDURE

This Statement of Charges and Notice of Intention to Enter an Order to Revoke a License and to Prohibit from Participation in the Mortgage Broker Industry is entered pursuant to the provisions of RCW 19.146.220, RCW 19.146.230 and chapter 34.05 RCW. The Respondents may make a written request for a hearing as set forth in the Notice of Opportunity to Defend and Opportunity for Hearing accompanying the Statement of Charges and Notice of Intent to Enter an Order.

DATED at Olympia, Washington this _____ day of _____, 2002.

MARK THOMSON
Director
Division of Consumer Services
Department of Financial Institutions

Presented by:

W. Kwadwo Boateng
Financial Examiner Supervisor

Reviewed by:

Chuck Cross
Enforcement Chief